



HF 748 – Wind Innovation Zones and Tax Credits (LSB1348HV)

Analyst: Jeff Robinson (Phone: 515-281-4614) (jeff.robinson@legis.state.ia.us)

Fiscal Note Version – New

Description

House File 748 relates to wind energy production. The Bill creates a “small wind innovation zone” process. The process allows for the creation of a model local ordinance and model utility interconnect agreement. The Bill also reserves 50.0% of any remaining wind energy production tax credit megawatt capacity under Chapter 476B, Code of Iowa, for facilities within a small wind innovation zone.

Background

The 1.0 cent per kilowatt-hour tax credit under Chapter 476B was created in SF 2298 (Appropriations and Miscellaneous Changes Act of 2004). Chapter 476B is available for projects with capacity of 2 megawatts or more. Projects are required to forgo existing property and sales tax benefits (see Section 427B.26 and Section 423.3(54), Code of Iowa) in order to receive the 1.0 cent production tax credit. Owners are limited to no more than two qualified projects. The total capacity of all approved projects cannot exceed 450 megawatts. A project must be placed in service before July 1, 2012, to qualify for the income tax credit.

Assumptions

1. No more than 50 megawatt hours of production capacity will be approved under Chapter 476B prior to enactment of this Bill, leaving at least 400 megawatts available. Two hundred megawatts would remain available for projects under the current program should demand develop and 200 megawatts would be available for small wind innovation zone projects.
2. Without modification to Chapter 476B, current and future projects will not exceed 200 megawatts of approved project capacity by the July 1, 2012, deadline. Therefore, enhancing Chapter 476B to include small wind innovation zone projects will cause more tax credits to be redeemed than would be the case under current law.
3. The tax credit rate under Chapter 476B is 1.0 cent per kilowatt-hour and the credits are available for ten years.
4. Earned credits will be redeemed 15.0% in the first year, 80.0% in the second year, and 5.0% in the third year.
5. The model ordinance and model interconnect agreements will not be completed until at least spring 2010, so the first facility to be approved and constructed under the new small wind innovation zone portion of Chapter 476B will be in FY 2011.
6. The Bill limits the maximum wind turbine size as part of a small wind innovation zone to 0.1 megawatt. Therefore, to fully utilize the 200 megawatts of available capacity, a minimum of 2,000 turbines would be needed. This fiscal estimate assumes no more than 50 megawatts will be part of the program by the July 1, 2012, time limit.
7. The capacity factor for small turbines will average 21.0%.

Fiscal Impact

Reducing Chapter 476B Available Credits – Reducing the capacity allowed under Chapter 476B to approximately 200 megawatts will not have a fiscal impact as it is assumed no more than 200 megawatts will be operational under that program by the July 1, 2012, deadline.

Wind Innovation Zone Tax Credits – Allowing tax credits for projects in wind innovation zones will have a fiscal impact since more tax credits will be issued than under current law.

The net General Fund fiscal impact of the increase in income tax credit redemptions assumed for the Bill is provided in the right hand column of the following table.

Net General Fund Reduction Due to Tax Credit Redemption Dollars in Millions		
Fiscal Year	Tax Credits Earned	Tax Credits Redeemed
FY 2011	\$ 0.4	\$ 0.0
FY 2012	0.7	0.5
FY 2013	0.9	0.7
FY 2014	0.9	0.9
FY 2015	0.9	0.9
FY 2016	0.9	0.9
FY 2017	0.9	0.9
FY 2018	0.9	0.9
FY 2019	0.9	0.9
FY 2020	0.9	0.9
FY 2021	0.6	0.9
FY 2022	0.2	0.5
FY 2023	0.0	0.2
	\$ 9.1	\$ 9.1

The Bill expands the role of the Iowa Utilities Board related to rulemaking, applicant review and approval, ongoing facility tracking, and annual reporting. The Utilities Board would require an additional 1.00 FTE position and \$80,000 in annual revenue to fully implement the provisions and requirements of the Bill. The Utilities Board is funded through assessments paid by the regulated community.

Sources

Legislative Services Agency Analysis
Iowa Utilities Board

/s/ Holly M. Lyons

March 30, 2009

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56](#), Code of Iowa. Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.